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MARKET SEGMENT REPORT

PAGE 19

# Restaurant Business

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## FOOD TRENDS: MENUS FOR THE '80S

FUN FOODS; ETHNIC FLAVORS; FRESH INGREDIENTS

PAGE 161

## WHO'S WHO OF COOKING IN AMERICA

PAGE 104

WHITE CASTLE'S ON A ROLL PAGE 121

BOSTON INDEPENDENT: GILL'S GRILL PAGE 192

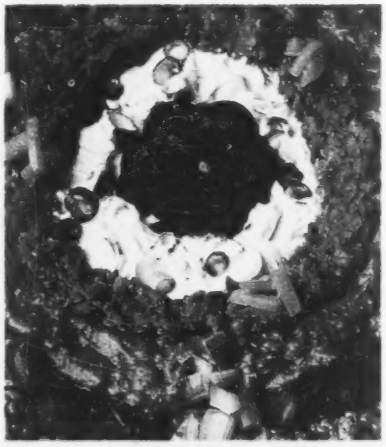
MENU IDEAS: PORK PRIMER PAGE 247

LATELINE: NEWSBREAKS PAGE 287

# CONTENTS

NOVEMBER 1, 1986 VOL. 85 NO. 16

*New Food Trends, page 161.*



*Menu Ideas, page 247.*

*Mexican Market Segment, page 197.*

## Cover Story

161 **New Food Trends.** *Menus are more diversified than ever and reflect major trends driven largely by the demands of more sophisticated customers. Major menu trends include: healthy and lighter dining; a proliferation of appetizers and other foods meant to tap the grazing phenomenon; the "regionalization" of American cooking and a return to homemade and nostalgic American foods; the acceptance of exotic ingredients and foods, including ethnic cuisines; and the increased awareness of quality and freshness in restaurant food.*

## Food and Beverage Ideas

235 **Drafts Carafes and Spirits: Glassware, Garnishes and Mixers.** *Appearance can be as important as taste, and adds to sales.*

247 **Menu Ideas: Pork with Pizazz.** *A leaner product appeals to more patrons, but special attention must be paid to cooking.*

255 **Chef's Art.** *Bill Neal, Crook's Corner, Chapel Hill, NC.*

## Features

70 **Industry Image Enhancement.** *Five major hospitality associations have joined in a campaign to elevate the industry's status.*

104 **Who's Who of Cooking in America.** *The winners this year are 14 of the nation's leading chefs, restaurateurs, authors, vintners, and teachers who have inspired the 75 past winners. The third annual event is co-sponsored by* Cook's *Magazine and* Restaurant Business.

113 **Spectrum.** RB's *exclusive market research tool.*

121 **White Castle.** *Famous for its little square hamburgers—referred to fondly as sliders—the 65-year-old, regional chain sold 447,003,182 of them in 1985, with average annual unit sales of $1.3 million.*

174 **Marriott.** *Two years ago, Marriott Corp. started sending teams of its executive chefs to observe in the three-star kitchens of Le Moulin de Mougins in France. The program is a unique learning experience, as* RB*'s Joan Lang found out first hand.*

186 **Max's.** *While many restaurateurs make reputations by translating California cuisine, Dennis Berkowitz is busy bringing a taste of New York to California, with six New York-style delis.*

192 **Gill's Grill.** *Boston restaurant mini-mogul Michael Gillen recently opened his fourth restaurant in Westboro, west of Boston. Gill's Grill restaurant will ring up sales of $10 million this year.*

197 **Market Segment Report: Mexican.** *Although still showing above-average growth, the heady days of rapid chain expansion have passed. Independents, however, are flourishing.*

221 **Cafe Margaux.** *Independent Tom Agnew kept at it despite repeated adversity, and now his new Cajun-French restaurant is a success.*

## Columns and Departments *For a brief summary, see page 16.*

| | | |
|---|---|---|
| RB Insider | RB Notes | Editorial |
| Publisher's Memo | Insights | Menu Monitor |
| Trade Quotes | Spotlight | Restaurant Stirrings |
| Menu Planner's Guide | Management Psychology | Design Marketplace |
| The Tax Bite | Personal Finance | Team Tactics |
| Equipment I.Q. | Supply Lines | Bar Management Guide |
| Wine Seller | Buyer's Circle | Calendar |
| Lateline | Washington Watch | Restaurant Openings |

COVER PHOTOGRAPH BY IRVIN BLITZ, FOOD STYLING BY POLLY TALBOTT

# RESTAURANT BUSINESS SPECTRUM

## By using this chart, operators can see where they fit in the industry and compare their size and performance to their peers.

**By Malcolm Knapp**

The restaurant industry is a diverse and confusing place. In an effort to illuminate the different segments of this fascinating business, *Restaurant Business* first commissioned SPECTRUM 10 years ago. Its purpose is to provide a simple conceptual tool to describe a restaurant so that a person who had never seen the restaurant in question would understand what you were describing.

Existing criteria for such description are often inadequate. The basic government census definitions like "refreshment place" or "restaurant & lunchroom" just do not do the conceptual job.

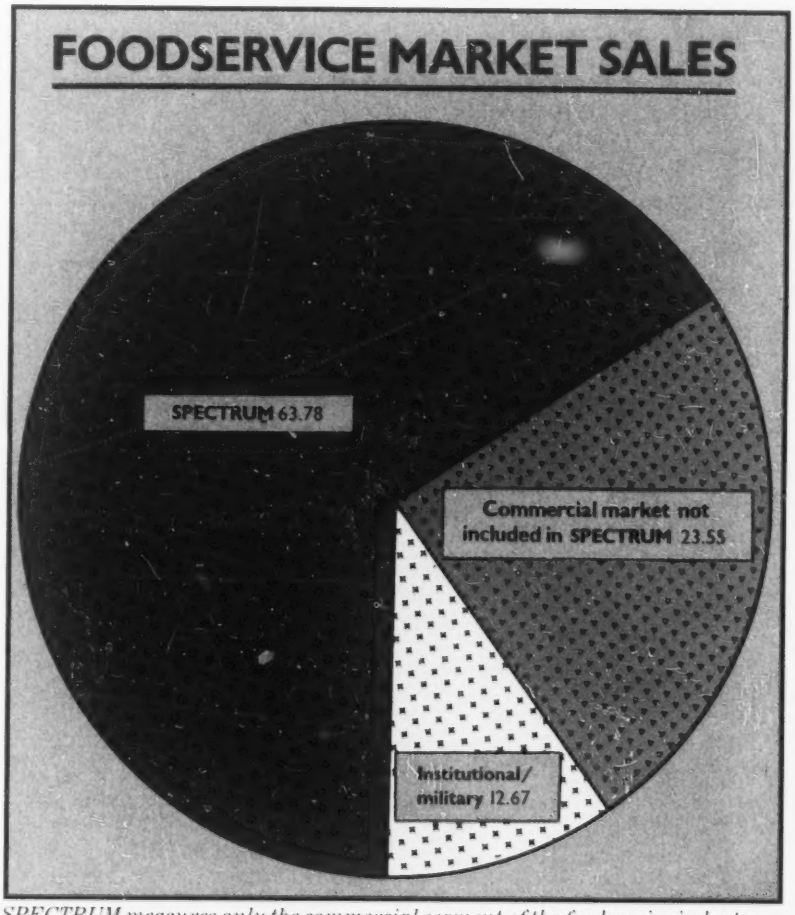
This year, *Restaurant Business* magazine decided to update the SPECTRUM both from the numerical side and the categorization side for the year 1985. The data is equivalent to eating places in the annual Restaurant Growth Index (RGI, September 20, 1986 issue).

**LOGISTICS.** How does the SPECTRUM work? The general thesis is that any restaurant can be categorized by analyzing three variables: TYPE OF SERVICE, PRICE, and MENU.

Imagine each variable as having its own separate line and marking the position of the restaurant being described on each line. The TYPE OF SERVICE line starts at primarily delivery and moves to primarily take-out to snack stand to self service to full service to continental service.

The PRICE line starts at under $2.00 and slowly moves up to $35.00 and over. The MENU line starts at limited

*continued on page 116*




*SPECTRUM measures only the commercial segment of the foodservice industry. In 1985, the year for which SPECTRUM is computed, this part accounted for 63.78 percent of the total market. The total foodservice market in 1985 was $174.2 billion, of which SPECTRUM accounts for $111.1 billion.*

## DESCRIPTIONS OF THE CATEGORIES WHICH

| DOLLAR RANGE PER PERSON | | | | UNDER $2 | $2-$4 |
|---|---|---|---|---|---|
| DOLLAR RANGE DESCRIPTION | | | | LOW PRICE | LOW PRICE |
| MENU DESCRIPTION | | | | LIMITED | LIMITED MENU |
| SERVICE DESCRIPTION | | | | PRIMARILY TAKE-OUT/ DELIVERY | SNACK STAND | SELF SERVICE |
| RESTAURANT EXAMPLES | | | | DOMINO'S PIZZA KFC | ORANGE JULIUS BASKIN ROBINS | McDONALD'S LONG JOHN SILVER'S |
| 1985 | TOTAL EATING PLACE SALES | | | 1 | 2 | 3 |
| SALES ($000) | 111,130,863 | | | 7,576,670 | 2,211,550 | 36,258,226 |
| % SALES | 100.00% | | | 6.82% | 1.99% | 32.63% |
| NUMBER OF UNITS | 265,053 | | | 27,652 | 13,356 | 86,627 |
| % UNITS | 100.00% | | | 10.43% | 5.04% | 32.68% |
| FOOD SALES ($000) | 101,606,441 | | | 7,576,670 | 2,172,990 | 35,584,691 |
| TAKE-OUT/DRIVE-THRU FOOD SALES($000) | 23,429,327 | | | 6,932,653 | 973,304 | 12,514,629 |
| UNITS WITH TAKE-OUT/DRIVE-THRU | 146,506 | | | 27,652 | 13,356 | 59,665 |
| ALCOHOL SALES ($000) | 9,524,422 | | | | 38,560 | 673,535 |
| ALCOHOL UNITS | 86,586 | | | | 2,025 | 19,903 |
| UNIT SIZE | | % OF TOTAL UNITS | % OF TOTAL SALES | | | |
| UNDER $100,000 | | | | | | |
| SALES ($000) | 3,068,908 | | | 392,618 | 245,299 | 974,868 |
| % SALES | 100.00% | | 2.76 | 12.79% | 7.99% | 31.77% |
| UNITS | 57,182 | | | 7,377 | 4,609 | 18,317 |
| % UNITS | 100.00% | 21.57 | | 12.90% | 8.06% | 32.03% |
| $100,000-$249,999 | | | | | | |
| SALES ($000) | 12,120,974 | | | 1,247,844 | 1,069,849 | 4,006,658 |
| % SALES | 100.00% | | 10.91 | 10.29% | 8.83% | 33.06% |
| UNITS | 73,459 | | | 7,561 | 6,459 | 24,162 |
| % UNITS | 100.00% | 27.72 | | 10.29% | 8.79% | 32.89% |
| $250,000-$499,999 | | | | | | |
| SALES ($000) | 21,312,346 | | | 3,170,090 | 729,615 | 5,990,560 |
| % SALES | 100.00% | | 19.18 | 14.87% | 3.42% | 28.11% |
| UNITS | 59,738 | | | 8,907 | 2,050 | 16,834 |
| % UNITS | 100.00% | 22.54 | | 14.91% | 3.43% | 28.18% |
| $500,000-$999,999 | | | | | | |
| SALES ($000) | 33,180,570 | | | 2,573,565 | 166,787 | 11,931,482 |
| % SALES | 100.00% | | 29.86 | 7.76% | 0.50% | 35.96% |
| UNITS | 47,814 | | | 3,672 | 238 | 17,243 |
| % UNITS | 100.00% | 18.04 | | 7.68% | 0.50% | 36.06% |
| $1,000,000-$2,499,999 | | | | | | |
| SALES ($000) | 34,162,629 | | | 160,925 | | 12,616,042 |
| % SALES | 100.00% | | 30.74 | 0.47% | | 36.93% |
| UNITS | 24,679 | | | 125 | | 9,859 |
| % UNITS | 100.00% | 9.31 | | 0.51% | | 39.95% |
| $2,500,000 + | | | | | | |
| SALES ($000) | 7,285,436 | | | 31,628 | | 738,616 |
| % SALES | 100.00% | | 6.55 | 0.43% | | 10.14% |
| UNITS | 2,181 | | | 10 | | 212 |
| % UNITS | 100.00% | 0.82 | | 0.46% | | 9.72% |
| | | 100.00% | 100.00% | | | |

SOURCE: MALCOLM M. KNAPP/RB RESEARCH

# MAKE UP RESTAURANT BUSINESS SPECTRUM 1985

| $4.50-$6.75 | $3-$5 | $3.50-$6 | $6-$9 | $9-$15 | $15-$35 | $35 | |
|---|---|---|---|---|---|---|---|
| LOW-MODERATE PRICE | LOW-MODERATE PRICE | LOW-MODERATE PRICE | MODERATE PRICE | MODERATE-HIGH PRICE | HIGH PRICE | VERY HIGH PRICE | |
| VARIED MENU | FULL MENU | VARIED MENU | VARIED MENU | VARIED MENU | FULL MENU | LUXURY MENU | |
| SELF SERVICE | SELF SERVICE | SERVICE | SERVICE | SERVICE | SERVICE | CONTINENTAL SERVICE | SOCIAL CATERER |
| PONDEROSA GRANDY'S | MORRISON'S (CAFETERIA) | DENNY'S PIZZA HUT | T.G.I. FRIDAY'S CHI-CHI'S | RED LOBSTER STEAK & ALE | COMMANDER'S PALACE TRADER VIC'S | THE FOUR SEASONS LE FRANCAIS | |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 2,065,251 | 3,273,444 | 28,175,506 | 8,972,363 | 12,917,946 | 6,315,230 | 2,063,077 | 1,301,600 |
| 1.86% | 2.95% | 25.35% | 8.07% | 11.62% | 5.68% | 1.86% | 1.17% |
| 2,448 | 6,089 | 85,651 | 13,804 | 17,100 | 7,478 | 1,254 | 3,594 |
| 0.92% | 2.30% | 32.32% | 5.21% | 6.45% | 2.82% | 0.47% | 1.36% |
| 2,029,572 | 3,198,809 | 26,494,583 | 7,133,029 | 10,159,480 | 4,648,010 | 1,417,643 | 1,190,964 |
| 135,656 | 169,924 | 1,973,305 | 83,957 | 187,378 | | | 458,521 |
| 694 | 1,995 | 37,851 | 1,104 | 2,120 | | | 2,069 |
| 35,679 | 74,635 | 1,680,923 | 1,839,334 | 2,758,466 | 1,667,220 | 645,434 | 110,636 |
| 333 | 764 | 25,725 | 11,733 | 16,245 | 7,104 | 1,226 | 1,528 |
| | 95,952 | 1,302,338 | | | | | 57,833 |
| | 3.13% | 42.44% | | | | | 1.88% |
| | 1,912 | 23,891 | | | | | 1,076 |
| | 3.35% | 41.78% | | | | | 1.88% |
| | 188,894 | 4,962,934 | 502,423 | | | | 142,372 |
| | 1.56% | 40.95% | 4.14% | | | | 1.17% |
| | 1,246 | 30,118 | 3,049 | | | | 864 |
| | 1.70% | 41.00% | 4.15% | | | | 1.18% |
| 164,548 | 268,621 | 5,648,988 | 1,264,154 | 2,769,764 | 1,057,396 | | 248,610 |
| 0.77% | 1.26% | 26.51% | 5.93% | 13.00% | 4.96% | | 1.17% |
| 460 | 767 | 15,792 | 3,534 | 7,743 | 2,956 | | 695 |
| 0.77% | 1.28% | 26.44% | 5.92% | 12.96% | 4.95% | | 1.16% |
| 1,215,287 | 663,688 | 7,313,746 | 3,468,317 | 3,941,555 | 1,668,896 | 129,128 | 108,119 |
| 3.66% | 2.00% | 22.04% | 10.45% | 11.88% | 5.03% | 0.39% | 0.33% |
| 1,515 | 919 | 10,478 | 4,969 | 5,647 | 2,391 | 185 | 557 |
| 3.17% | 1.92% | 21.92% | 10.39% | 11.81% | 5.00% | 0.39% | 1.16% |
| 685,416 | 1,744,671 | 6,961,350 | 2,885,458 | 4,674,732 | 2,688,261 | 1,270,181 | 475,593 |
| 2.01% | 5.10% | 20.38% | 8.45% | 13.68% | 7.87% | 3.72% | 1.39% |
| 473 | 1,149 | 4,801 | 1,990 | 3,224 | 1,854 | 876 | 328 |
| 1.92% | 4.66% | 19.45% | 8.06% | 13.06% | 7.51% | 3.55% | 1.33% |
| | 311,618 | 1,986,150 | 852,011 | 1,531,895 | 900,677 | 663,768 | 269,073 |
| | 4.28% | 27.26% | 11.70% | 21.03% | 12.36% | 9.11% | 3.69% |
| | 96 | 571 | 262 | 486 | 277 | 193 | 74 |
| | 4.40% | 26.19% | 12.01% | 22.28% | 12.70% | 8.85% | 3.39% |

**SPECTRUM measures eating place sales as defined by the Federal government. Although it does not include certain segments of the business, it provides an accurate view of the majority of the restaurant industry.**

**SPECTRUM** *from p. 114.*
and works its way to varied to full to luxury. You can readily see that using the "lines" provides an exceptionally detailed calibration of where a restaurant stands with respect to the three variables.

Although precise with respect to a given restaurant, this approach when doing comparative analysis is too fine, so categories have been developed which incorporate the three variables. There are 11 larger groupings or categories into which all restaurants fall.

To further make recognition of a grouping easier, we have provided examples of well-known chains or individual restaurants which function as the pure type within a category.

Each category has a service description. Although social caterer is not a service description as such and can be broken down into many types of service within the category, it is a stand-alone grouping and is a self-contained category within the "Census of Retail Trade."

Thus it stands as the eleventh category. We have not provided a firm name as they tend to be known only locally. There is also more social catering business than is shown in the categories sales figures as many restaurants and contract feeders provide the service.

**MENU DESCRIPTIONS.** The menu description as limited refers to the number of items that are basically different. Varied menu has a number of different types of food. Full menu means a complete assortment of offerings.

Luxury menu means not only variety but unique offerings which can only be made by highly trained and skilled chefs.

The dollar range description and price is how the market breaks today. The price variable is the one with the greatest variation in terms of change over time. The menu is the variable with the second highest change rate with service being the slowest to change in the past 10 years.

**CENSUS OF RETAIL TRADE.** Where do the categories fit in terms of the Census of Retail Trade? Categories one to four fit into the refreshment place/limited menu restaurant plus ice cream and frozen custard stands. Category five is the cafeteria category of the Census. Categories six-10 fit into the restaurant and lunch counter group of the Census. Social caterer, group 11, is the same in the Census.

The important point here is that when the categorization takes place at a finer level, the monolithic entities are not as big. The McDonald's group represents 32.63 percent of sales versus the Denny's and Pizza Hut group's 25.35 percent. This is not as large a spread as advertising impressions would indicate.

To facilitate comparisons, we have percented most of the data in the chart. Moving down and across, the first data set is sales and percent of sales with the total market equaling 100 percent and $111,130,863,000.

The next set is units with the total units (those with payroll only) equaling 100 percent and 265,053. This is followed by food sales which is a sub-set of total sales. Take-out/drive-thru/delivered is a sub-set of food sales. We then show the number of units with this service. Next is the alcohol beverage set. Alcohol beverages and food add up to total sales.

We then show for each category in the SPECTRUM, a sales size distribution in dollars and units. The percents refer to the sales size category as the base, or 100 percent. For example, category one, "Primarily take-out/delivery" accounts for 6.82 percent of total sales but 12.79 percent of the sales of all units doing under $100,000 per year sales volume. Each sales size class is either the current Census size class or a sum of several groups.

**HOW TO USE IT.** There are four primary uses of the SPECTRUM for restaurateurs.

- Who am I and who is my competition? Where does my restaurant fit and who are my competitors by daypart? Category six woke up one day and found category three taking away breakfast business from them. Recognizing this requires an analysis of the characteristics that customers want from the new competition. In the case of breakfast, it was speed and money. Breakfast bars enable group six to compete with group three on speed and win on variety.
- What is my share of market either nationally or in a store trading area? To do a store trading area just list all the other restaurants in the area, categorize them and make reasonable dollar sales estimates. This will provide the total sales in your trade area as well as your category.
- Doing the analysis just mentioned will provide a saturation for your category in a trade area vs. national.
- Are there categories in my trading area or city that are underdeveloped and represent an expansion opportunity?

All these questions—and others—can be answered by using the SPECTRUM.